

Why Financial Services Companies Must Take a Holistic Approach to Innovation



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Digital disruption has hit every industry the world over, and financial services is a poster child for this disruption. Every organization, from large to small, is contending with the lightning-fast pace of technology-driven change.

The massive global banks have the breadth to harness the associated opportunities and challenges, while smaller organizations can be more nimble. And all must rethink the way they deliver services to attract and retain customers in today's world.

Brendan Donovan, chief technology officer and head of IT Infrastructure at Netherlands-based ING Bank, said in an interview with Diginomica that now IT, product, and marketing teams at ING work more closely together to deliver products, and have written code based on real-time customer feedback and released it into production within an hour. "That's agility, that's speed. I never thought I would see it in my lifetime, but it's here," Donovan says.

Meanwhile, financial technology (fintech) companies have attracted consumers with convenient and innovative banking, purchasing, and transaction options. Traditional institutions realize that these nimble, digital-first organizations can eat into their market

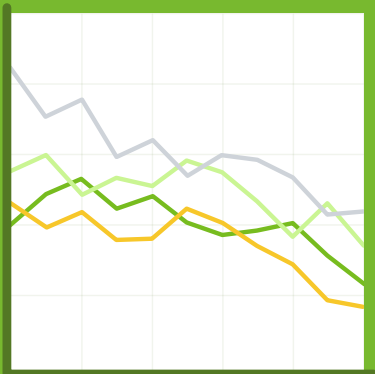
share, and some have even partnered with fintechs to offer new consumer solutions.

“We believe that fintechs are a strong part of the ecosystem,” says Aayaz Pira, senior vice president, Digital and Direct Banking and head of Simplii Financial at CIBC, in an [IT World Canada article](#). “They force banks off the status quo, and force us to change.”

Yet as a heavily regulated industry, sometimes attempts to innovate in financial services are stifled by considerations around managing risk. And while risk mitigation must remain a high priority, failure to innovate may be even riskier: [McKinsey predicted](#) in 2015 that traditional financial services institutions will see profits decline by 20 to 60 percent by 2025 if they fail to evolve digitally—a mere six years from now.

So what does it mean to innovate in the financial services industry? While customer-facing technologies that make banking easier are certainly critical, true innovation is much more than that. Financial services organizations should be evaluating their internal systems with just as much scrutiny, as competing and succeeding in today’s world requires a holistic approach to innovation.

Cathy Bessant, chief operations and technology officer at Bank of America, says in an interview posted [on Forbes](#), “There is no front office and back office. Technology has completely changed the notion of business integration. You cannot say the business is technology or technology enables a business—they are one and the same.”



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Where the Cloud Comes In

It comes as no surprise that some of the world's leading financial services companies—including Bank of America, Charles Schwab, CIBC, ING, Nasdaq, and Visa—have made the shift to cloud computing, gaining a technology platform that allows them to succeed in the digital era.

Here are some examples of how the cloud serves as the catalyst for digital transformation in the financial services industry:

- Banks are insulated from technology obsolescence. Costly, time-consuming enterprise software upgrades are a thing of the past. As regulations change and agencies provide updated guidance, cloud providers can update their applications to support compliance, without imposing an upgrade burden on the customer. This allows them to operate at a scale and elasticity that isn't possible with legacy systems, and end users get the latest innovations directly from their cloud service provider.
- The cloud provides the opportunity for financial services companies to move away from a large variety of disparate systems for managing enterprise applications—including financials, human resources, payroll, planning, and analytics—to a single cloud-based platform. In fact, *FSN Publishing Limited's "The Future of Planning, Budgeting and Forecasting Survey 2016"* called the implementation of a single shared business model across the enterprise in the cloud, from a single vendor and with all relevant stakeholders connected, a state of "utopia."
- Modern cloud solutions are delivered on a scalable platform that can quickly adapt to emerging security threats with new features and fixes as needed. Ideally, a cloud provider should have a single security model with always-on auditing and encryption for all analytics and transactions.

THE CLOUD PROVIDES THE OPPORTUNITY FOR FINANCIAL SERVICES COMPANIES TO MOVE AWAY FROM A LARGE VARIETY OF DISPARATE SYSTEMS FOR MANAGING ENTERPRISE APPLICATIONS—INCLUDING FINANCIALS, HUMAN RESOURCES, PAYROLL, PLANNING, AND ANALYTICS—TO A SINGLE CLOUD-BASED PLATFORM.



Innovating for Your Internal Customers

While financial services companies have innovated their front office with new technologies to meet rising customer expectations, they may have overlooked the needs of their internal customers—their employees—who are operating on outdated systems that store data in silos. Because of this, many organizations and their employees are at risk of overlooking critical information as they become increasingly overwhelmed by data without the means to handle it.

Considering that people, finance, and operations are at the core of their business, financial services companies need to consider the following:

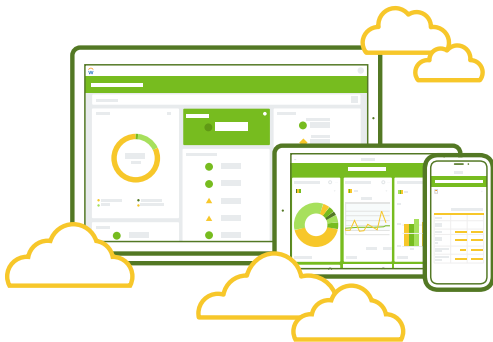
- What technologies and tools are you providing to those who pay the bills, process payroll, create financial statements, and plan for the future?
- How are you helping the decision-makers who need access to better data and deeper business insights?
- How have you improved your business processes and procedures to enable your employees to become more efficient and effective?

Managers and employees at many financial services institutions—particularly those working in finance—still operate on outdated systems that can only store aggregate data with complex details summarized. While these systems may be sufficient for the

purpose of financial reporting, they're unable to keep up with the level of complexity needed to drive business decisions.

Nasdaq is modernizing U.S. capital markets to make them more cost-effective and attractive for small and medium-size companies. As part of this initiative, Nasdaq needed to move away from siloed data toward a more global, process-oriented framework to create standardization that can scale as it moves into new markets.

“To apply Nasdaq’s financial framework for core capital markets to other industries, we need to scale the business, and that requires back-office systems that can handle data at different orders of magnitude,” explains Matthew Petrillo, associate vice president of Finance and Accounting at Nasdaq, in an interview with Workday.



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Eric Langheim, vice president at Nasdaq, describes it this way: “We used to have multiple on-premises systems that moved data between them in batch cycles; they weren’t keeping up with the pace of business. Workday’s ‘Power of One’ concept stood out to me—the fact that the data attributes for our system are only stored in one place,” he says. “We embraced the cloud model, going from legacy architecture—where we had to tie countless systems and worry about moving data from one to the other—to a unified platform with continuous innovation.”

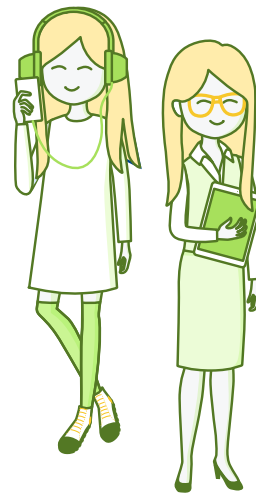
Making sense of information requires a unified enterprise system that not only disaggregates data to the line-item level, but also pulls in different data sources.

This way, financial services companies can get a comprehensive view into their organizations by comparing and analyzing performance across products, customer segments, regions, and other dimensions. Combining all this data at the lowest level of granularity provides better insight into cash inflows and outflows—as well as key ratios—to better manage risk and drive profitability.

Now that Netherlands-based IMC has chosen Workday, Jan Willem Kohne, global head of Human Resources, [shares](#), “We’ve long understood the competitive advantage of technology innovation in financial services, and we’ve embraced it as a core aspect of our philosophy. By bringing finance and HR together in the cloud, we gain new levels of visibility into our company that help us make faster and smarter business decisions.”

Financial services institutions can also gain tremendous value from having a comprehensive view of their data in real-time dashboards, made easier since their data is unified in the cloud. For instance, a branch or lending manager could use a credit risk dashboard that details loan charge-offs and delinquencies to determine what changes need to be made to meet revenue goals, or to identify a concerning pattern. Or, a financial services institution could use a cloud provider’s benchmarking capabilities to understand how it compares to other companies of a similar size or industry.

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Employees Are Consumers, Too

Customer experiences are determined by all of their interactions with a company—with its products and services as well as its employees. The pervasiveness of digital transformation in daily life has raised everyone's expectations, including those of financial services employees—they've come to expect the same easy-to-use interfaces and experiences in the workplace as they have in the consumer world.

That's why consumer-grade technology experiences, both on mobile devices and desktop, are just as important for financial services employees as they are for customers. Employees need easy access to the information they need to do their jobs, so they can focus more on meaningful work and not get bogged down by outdated, error-prone systems that require manual processes and repetitive tasks.

Deutsche Bank, based in Germany, understands the impact of technology on optimizing people management and propelling business growth. Regarding its move to Workday Human Capital Management, Karl von Rohr, chief administrative officer at Deutsche Bank, [shares in the institution's press release](#), "This new people management platform will form an important part of our digital strategy. It will give our leaders the tools and information they need to ensure we have the right people in the right roles while enabling all employees to access career development opportunities anytime, anywhere."

What's more, to really move the needle on business performance, institutions need to be able to analyze people-related data across the organization. For example, what if an institution could compare historical data on a branch's people, finance, and operations to determine the factors that contribute to its performance? If a firm knows that certain skills or background experiences could contribute to better performance, it could do a better job of hiring and developing talent to support its goals.

To succeed in this digital age, financial institutions must take a holistic approach to innovation. That includes not only innovating for their customers, but also for their people and operations. In the financial services industry it's important to lead the disruption—or face the very real risk of being disrupted by the competition.



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